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August 26, 2008

***VIA ELECTRONIC MAIL
ORIGINAL BY HAND DELIVERY***

Mary Cottrell, Secretary
Department of Public Utilities
One South Station, 2nd Floor
Boston, MA 02110

RE: Proposal of the Cape Light Compact to Request Increased Funding for
Residential Energy Efficiency Programs for 2008
DPU 07-47

Dear Secretary Cottrell:

Please find enclosed for filing an original of the Reply Comments of the Cape Light Compact regarding its proposal for Increased Funding for Residential Energy Efficiency Programs for 2008 and Amendment to the Approved Energy Efficiency Plan: 2007 – 2012, in the above-referenced proceeding.

I. INTRODUCTION

The Cape Light Compact (the “Compact”) acknowledges and understands that this is an expedited proceeding and that while the Department of Public Utilities (the “Department” or the “DPU”) provided a schedule for comments, it did not expressly provide a schedule for reply comments. However, the Compact believes that it is critical to address and clarify questions raised by Comments of the Attorney General (Comments of the Attorney General on Bay State Gas Company, et al. (August 25, 2008)) (the “AG’s Comments”). The Compact hereby respectfully requests leave to file these limited Reply Comments in response to the important issues raised in the AG’s Comments. These Reply Comments are not meant to respond to every comment made in initial comments by every party, they are meant solely to address questions raised by the AG’s Comments and thereby assist the Department in the expeditious review and approval of the Compact’s proposal to increase funding for residential energy efficiency programs for

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2008 (the “Proposal”).¹

On August 15, 2008 the Compact filed with the Department a proposal to increase funding for residential energy efficiency programs for 2008. The Proposal was filed at the direction of the Department.² The Department directed the Compact and other program administrators to file such proposals based on a letter from the Department of Energy Resources (the “DOER”) requesting that the Department consider immediate funding increases for the remainder of 2008 in anticipation of potentially extreme increased energy costs for residential customer this winter heating season. On August 25, 2008 the Attorney General filed Comments on the program administrators’ proposals.

II. THE COMPACT’S PROPOSED INCREASED FUNDING IS FOR RESIDENTIAL AND LOW-INCOME HEATING END-USES ONLY

The AG’s Comments state that the Compact’s Proposal involves “increases for residential programs that have little to do with heating costs, *e.g.* increases for marketing activities, lighting rebates, appliance rebates and administrative costs.” AG’s Comments at 5 - 6. The Compact would like to emphasize that all of its proposed increases involve residential heating, as described in Appendix A to the Compact’s Proposal. For its Low-Income Single Family Program, the Compact proposed working with its vendors, the Low Income Energy Affordability Network (“LEAN”) and the Department of Housing and Community Development (the “DHCD”) to increase program funding for weatherization and heating system replacement. Proposal, Appendix A at 3. For its Low-Income Multi-Family Program, the Compact proposed working with its vendors, LEAN and the DHCD to increase program funding for weatherization. *Id.* at 3 – 4. For its Residential Massachusetts Home Energy Services Program (“MassSAVE”), the Compact proposed increased customer incentives for installed thermal measures for certain customers and modifying the HEAT Loan program. *Id.* at 4. As stated in the Compact’s proposal, to the extent that the Compact proposes to increase public education and outreach efforts such efforts will *not* require any additional funding as the Compact plans on relying on existing and volunteer efforts. Proposal at 6, fn. 8. In addition, the Compact specifically stated that, for purposes of the 2008 Proposal, it did not anticipate that any substantial portion of increased funding would go toward administrative expenses, such as Compact staffing. *Id.* at 7. To clarify this statement, the Compact does not anticipate that there will be any additional administrative expenses associated with the 2008 Proposal.

The AG’s Comments also state that the Compact is “proposing to increase spending by \$357,000 for marketing and outreach.” AG’s Comments at 6. However in actuality, as stated in the Compact’s Proposal, the Compact’s overall budget for the 2008 Proposal is \$357,000 with \$0 to be spent on marketing and outreach or, for that matter, planning, marketing, administrative, evaluation or other costs. Proposal at 6 and fn 8.

¹ Silence on any issue should not be construed as agreement with any comment made in initial comments by any other party.

² Hearing Officer Memorandum regarding Request to Increase Funding for Residential Energy Efficiency Programs (August 1, 2008) and Letter from Paul J. Hibbard, Chairman of the DPU, and Tim Woolf and W. Robert Keating, Commissioners of the DPU, to Energy Efficiency Service List (July 25, 2008).

The \$357,000 reflects estimates by the Compact's vendors representing the vendor's costs for expanding existing programs for residential heating end-uses through increased installation of residential heating measures.

In addition, the AG's Comments state that the Compact "did not identify a value for the additional dollars that [the Compact proposes] to spend on energy efficiency programs that target heating end-uses" and only "provided total increases." AG's Comments at 9. The additional dollars that the Compact proposes to spend on energy efficiency programs that target heating end-uses is \$357,000, \$260,000 for residential programs and \$97,000 for low-income programs. These numbers are estimates provided by the Compact's vendors and include only the vendor's costs for expanding existing programs for residential heating end-uses through increased installation of residential heating measures.

III. THE COMPACT'S PROPOSAL PROVIDED THE INFORMATION REQUESTED BY THE DEPARTMENT

The AG's Comments state that the Compact did not address "constraints on program expansion . . . the dollar savings customers are expected to realize or how many customers buy program will be helped." AG's Comments at 10. The Compact does not deem it necessary to repeat all of the contents of its Proposal in these Reply Comments. However, the Compact believes that it submitted information on all of the categories of information requested by the Department. The Compact addressed constraints on program expansion in its Proposal at paragraph 18. The main constraints on program expansion for the 2008 Proposal are staffing of the Compact's vendors and qualified sub-contractors and the short timeframe for ramping up services. The Compact specifically worked with its vendors to maximize program expansion for winter 2008 in light of these constraints. The Compact also provided information on percentages of monthly savings for customers and the total approximate number of customers anticipated to be served. In order to clarify this information, the Compact has contacted its consultant and vendors in order to provide information on the approximate number of additional residential customers to be served by program and monthly dollar savings in addition to monthly percentage savings. The Compact will supply this information as soon as it becomes available.

The Compact also provided complete and updated 2008 cost-effectiveness analysis taking into consideration the proposed increased funding. Proposal at 8, Appendices E and F. The increased funding will go directly to programs that have previously been determined to be cost-effective. As the Proposal for increased funding does not include any additional planning, administrative, marketing or evaluation costs and only includes costs for installation of residential heating measure, the programs, individually and overall, should be cost-effective.

IV. MASSSAVE

The AG's Comments express disagreement with certain of the programs administrators' proposals to expand MassSAVE programs. AG's Comments at 11 – 12.

The AG's Comments seem to indicate that MassSAVE is a low-income program and that changes to the MassSAVE program would somehow affect low-income eligibility criteria. *Id.* MassSAVE is not a low-income program and has no affect on low-income eligibility criteria. In addition, the Compact points out that the MassSAVE proposal was submitted to the DOER by members of the MassSAVE/RCS Network (the "RCS Network"), a coalition of electric and gas energy efficiency program administrators in Massachusetts, including the Compact, who meet at least monthly and work to advance residential energy efficiency programs through the MassSAVE-branded program. The RCS Network participants agreed on the proposed MassSAVE program enhancements and included such program enhancements in their proposals. The MassSAVE/RCS proposal was met with a positive reaction by the DOER.³

V. FUNDING ISSUES

With regard to Forward Capacity Market ("FCM") revenues and Regional Greenhouse Gas Initiative ("RGGI") funds, the Compact points out that the Compact addressed such funding in its Proposal at paragraph 32. As the Compact noted, FCM revenues are not expected to be available for proposed increased funding for 2008. Proposal at 11. As the Compact also noted, as RGGI auctions have not taken place yet, the amount of these funds are unknown and are not expected to be available until 2009 program planning. *Id.* at 11 – 12. The AG's Comments also state that program administrators' proposals did not address other funding sources under the Green Communities Act. AG's Comments at 13 – 14. The AG's Comments also state that these other funding sources require further Department proceedings, in some cases including full adjudicatory proceedings. *Id.* This is simply not feasible with regard to the Department's request to increase funding for this year.

Ensuring funding for the "overspending" requested by the Department is crucial to all program administrators, but is an issue especially critical to the Compact. The Compact is a governmental body and does not have budget flexibility to take on any financial liability without assurance from the Department that the Compact will recover all of its costs associated with any "overspending." The Compact cannot prudently implement any expanded programs for the remainder of 2008 unless the Department assures the Compact of recovering any costs the Compact incurs with regard to approved "overspending" in 2008. Therefore, the Compact requested the Department to pre-approve interim "overspending" for the remainder of 2008 and inclusion of any costs related to such "overspending" as program costs in the 2009 energy efficiency plan filing. Proposal at 10 – 11.

VI. PROPOSED TARIFF REVISIONS

The Compact agrees that the Department may separately consider tariff revisions proposed by NSTAR. As the AG points out, NSTAR itself recognized that the proposed tariff revisions could be considered separately from the rest of its proposal. AG's

³ Letter from Mike Sherman, Energy Efficiency Group Manager (DOER), to the MassSAVE/RCS Network (July 31, 2008).

Comments at 4, fn. 4. The Compact urges that the Department not allow questions regarding the proposed tariff revisions to prevent or delay approval of the Compact's 2008 Proposal. Questions regarding the proposed tariff revisions are more appropriately addressed at a later date if such questions will in any way prevent or delay approval of the Compact's 2008 Proposal. While the Compact strongly believes that the proposed tariff revisions anticipate the requirements of the Green Communities Act for a fully reconciling funding mechanism coordinated between NSTAR and the Compact (Proposal at 10), the Compact believes that the immediate issue of approving increased funding for residential energy efficiency programs for 2008 takes precedence and is an immediate and pressing need that the Department must address as soon as possible. The Compact must get Department approval of its Proposal by early September, otherwise the opportunity to address the Department's concerns for this winter will have passed. The Compact already has a 10-week customer backlog. Delaying approval of increased funding for 2008 programs will have a domino effect on 2009 filings (which will include the early winter months of 2009) and will put more pressure on the Compact and other program administrators to try and implement every possible means they can to help their customers.

VII. CONCLUSION

Finally, the Compact would like to point out that it is not an electric company. AG's Comments at 9. The Compact is a municipal aggregator that serves as program administrator for its own Department-approved energy efficiency plan. Proposal at 2 – 4. The Compact is a governmental body, not a private utility, and does not stand to profit from increased spending as a private company with shareholder incentives might.

The Compact hopes that these Reply Comments assist the Department in reviewing and approving its 2008 Proposal and address the AG's Comments by clarifying the various issues raised in the AG's Comments.

Wherefore, the Compact respectfully requests that the Department allow and consider these Reply Comments regarding its 2008 Proposal for increased funding for residential energy efficiency programs for winter 2008.

Mary Cottrell, Secretary


August 26, 2008

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If you require further information or have any questions, please do not hesitate to contact me.

Respectfully submitted,
THE CAPE LIGHT COMPACT

By its attorneys,

A handwritten signature in black ink, appearing to be 'JMB', with a long horizontal line extending to the right.

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SH/drb

cc: Benjamin Spruill, Hearing Officer (w/enc.) (via email and hand delivery)
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